

Written Testimony in support of SB3 "An Act Establishing an Employee Ownership Program to Promote Business Retention and Growth"

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About BL

BL Companies is a leading Architecture, Engineering, Environmental and Land Surveying firm headquartered in Connecticut with thirteen offices across Connecticut, Maryland, Massachusetts, New Jersey, New York, Ohio, Pennsylvania and Texas. BL became a 70% employee owned company through an ESOP in 2006 and moved to 100% ESOP in 2011.

We are currently 100% ESOP with over 230 employee owners, with 150 employee owners living and working in Connecticut.

Journey to Become an ESOP

Our journey started with twelve senior level employees being invited to buy a total of 14% of the outstanding shares from the two majority shareholders of BL Companies in mid-2005. Shortly after the twelve bought in, the majority shareholder decided that he wanted to exit the business. So in late 2005 the thirteen remaining shareholders negotiated and implemented a buyout deal. That construct was a traditional note with the departing shareholder to purchase the shares over time. Had there been no change in the plan, the ownership of BL along with the risks and rewards would have been shared only with those thirteen shareholders.

However, early in 2006 BL started exploring the concept of a different ownership structure. At the same time the majority shareholder was considering public office which could affect BL Companies ability to pursue certain public work as long as the majority shareholder owned shares. After a conversation with the valuation firm that assisted us in the 2005 matter, it seemed that an ESOP was a good fit for us given our short term and long term goals of employee engagement and broad based employee ownership.

BL engaged an ESOP attorney and a financial advisor to help us work through various scenarios. The thirteen shareholders met to review the scenarios and discuss the importance of having a broader employee ownership base. We decided to move forward and implement a 70% ESOP with the intention of becoming 100% at the point it was financially feasible.

The ESOP was implemented on June 6, 2006 and was effective as of January 1, 2006. The debt incurred as a result of buying out the majority owner was paid off in three years versus the 15 year term loan as a result of our financial performance and the financial benefits of being an ESOP. In 2011 BL became 100% employee owned by purchasing the remaining shares that were still owned outside of the ESOP.

Benefits of Becoming an ESOP

While the transaction itself can be daunting, becoming an ESOP so all employees have a stake in our success, and embracing the power of employee engagement has had broad positive implications for BL and all of our employee owners. When the ESOP was implemented, BL embarked on educating employee owners to understand what being an employee owner means – not just financially but also culturally.

The following is a summary of the benefits that we believe are attributable in whole or in part to moving to 100% ESOP and engaging all of our employee owners in the business.

Following the list are measures of impact and a more detailed discussion about each one.

1. Engaged employee owners impact the business and financial results
2. Stronger financial performance leads to growth in hiring
3. Stronger financial performance provides the ability to reward employee owners
4. Stronger financial performance leads to increases in price per share and ESOP account balances
5. Stronger financial performance allows for investing in the company and its employee owners
6. The ESOP and 401k allow for multiple retirement accounts for employee owners
7. Engaged employee owners achieve greater job satisfaction
8. The ESOP and culture helps attract and retain talent
9. ESOPs tie all employee owners together in building wealth and making appropriate investments (for many employee owners, this is a major opportunity to build wealth that they don't have anywhere else)
10. ESOPs help create a longer term sustainable company

Measurements of Impact

1. Engaged employee owners impact the business and financial results.

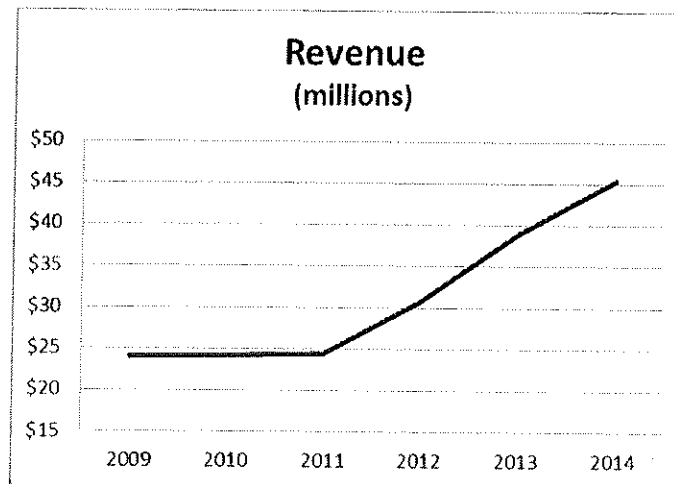
Employee owners have a stake in the financial success of the business. Transparent communications and open book management provide the context so employee owners can perform their work and make better decisions. Informed and engaged employees have higher job satisfaction and are better equipped to positively affect the outcome of our business.

When a client interacts with any of our employees they are dealing with one of our owners who understands the importance of client satisfaction.

Eighty percent of BL Companies revenue comes from repeat business.

BL Companies engages all employee owners in the strategic planning and annual business planning processes. Employee owners participate in employee surveys, market research, SWOT analysis, etc. that help shape the priorities for the next year including revenue growth and hiring. Approximately 30% of employee owners are engaged in some form of business development.

Revenue growth for the past three years is over 25% a year.



In addition to performing their day-to-day responsibilities, many of our employee owners also participate in committees responsible for recommending or making decisions in specific areas (e.g., Healthcare Committee, 401k Committee, Safety Committee, ESOP Communications Committee, CADD/GIS Standards Committee, etc.). These committees are made up of employee owners from across the company and from all levels.

Our Healthcare Committee, made up of 12 employee owners, recommended again this year to make no change in the employee contribution to the Healthcare Plan or deductibles. As a self-insured Healthcare plan, employee owners are cognizant of making good consumer decisions as appropriate (e.g., emergency room versus urgent care facility versus doctor).

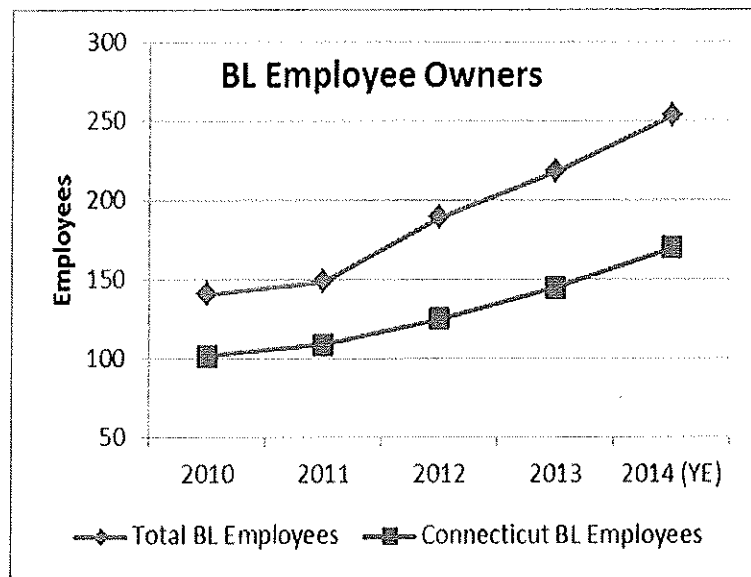
**BL cost per employee for healthcare has declined over the last five years.
BL employee owners' healthcare premiums are half of the industry median.**

Our Safety Committee continues to emphasize, enhance and educate on safety with all of our employee owners whether in the office or field. The safety of our employee owners is very important for BL.

EMR rating is below 1.0 which is important to be able to attract certain clients.

2. Stronger financial performance leads to growth in hiring.

BL Companies has been growing and hiring since 2010 during a period in which the A&E industry has struggled. BL is targeted to add approximately 35 new employees in 2014. In 2013 BL expanded its Hartford office capacity and opened offices in Bridgeport, CT, Norwood, MA, Piscataway, NJ and Houston, TX. We are currently evaluating increasing the capacity in the Bridgeport, CT and New York, NY offices.



3. Stronger financial performance provides the ability to reward employee owners.

Employee owners share in the financial success of BL Companies outside of the retirement planning benefits of the ESOP and 401k Plans through an annual bonus program. Ninety-nine percent of employee owners received a bonus in 2013 (the few that did not were new and we provided a gift card to them).

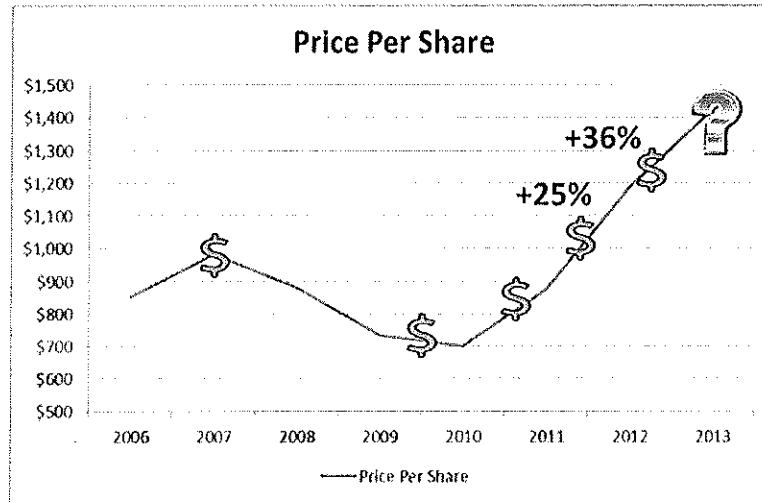
BL is able to provide various other family and team building events – summer picnic for employee owners and their families, holiday party and various contests and raffles. BL opened its own "internet store" and seeded all employee owner accounts with \$100 of "BL Bucks" to purchase BL apparel in 2013. Employee owners are proud to wear their BL apparel at work, at client meetings and in their community.

Bonus pool over the past four years is approximately 30% of our profits and 99% of our employee owners receive a bonus at year end.

4. Stronger financial performance leads to increases in price per share and ESOP account balances.

While BL suffered initially with the economic times in 2009 and 2010, our employee owners have grown the value of the business significantly starting in 2010. The stock price increased 25% for year-end 2011 and 36% for year-end 2012. The 2013 annual valuation is currently underway and we anticipate another large increase given our performance during the past year.

The price per share contributes to determining the value of employee owner ESOP account balances. The balances can be increased by either contributions to the account (which the Company determines each year and is an equal percent of each employee owner's compensation), shares bought back from departing employees (e.g., which is governed by the ESOP Plan) and increases in price per share (which all employees owners can impact).



5. Stronger financial performance allows BL to invest in the company and its employee owners.

BL invests in the business with capital purchases such as computers, software, field equipment, and office furniture each year. BL Companies has implemented training programs in the areas of Project Management, Technical Training and Leadership Development for the benefit of all employee owners.

Annual capital purchases range from \$450k - \$650k.

Leadership development training is provided to all of our employee owners.

6. The ESOP and 401k allow for multiple retirement accounts for employee owners.

BL Companies became an ESOP in 2006. Over the 7 years, of which 3 of them were very difficult economic times, the value of the ESOP has increased due to the "sweat equity" of our employee owners. Employee owners do not pay for any of the BL shares in their ESOP accounts with money but by performance.

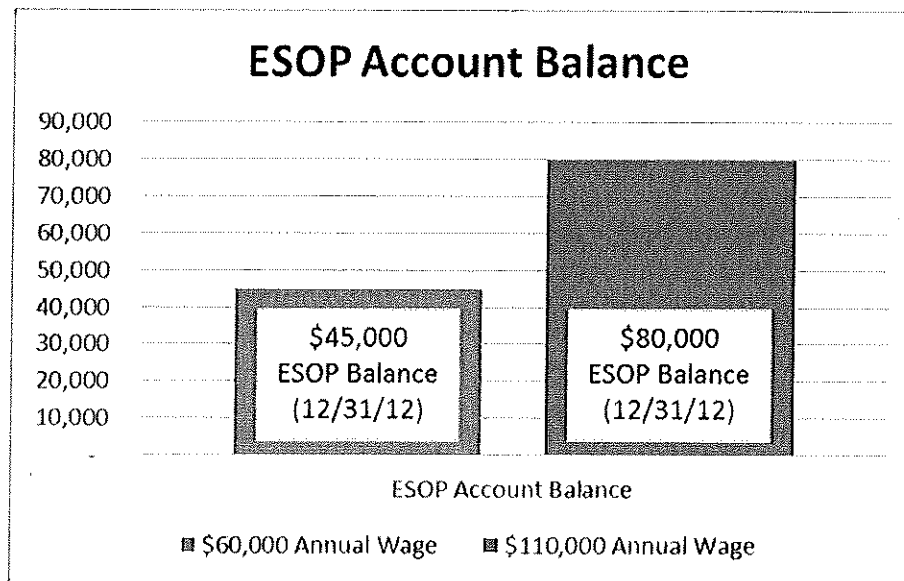
The ESOP is an ERISA plan and the formula for allocations is governed by those rules including a cap for higher compensated employees. The valuation is performed annually and the 2013 valuation is currently underway.

BL Companies also provides a 401k plan with a match outside of the ESOP plan to provide other options and diversity of employee owners' retirement investments.

As of December 31, 2012, employee owners with BL since 2006 earning:

- \$60k a year in wages has approximately \$45k in their ESOP account.
- \$110k a year in wages has approximately \$80k in their ESOP account.

80% of employee owners participate in the 401k Plan and take advantage of the match.



Note: The ESOP account balance is for an employee who has been with BL from 2006.

7. The ESOP and culture helps attract and retain talent.

BL Companies continues to attract the best and brightest employee owners. A combination of the ESOP and the resulting culture continues to be a delineator for employees to come to BL. We are able to attract a number of employees who have relocated from other geographic locations to work for BL. That is increasingly important as the "talent pool war" heats up with the economic recovery.

PSMJ reports the median turnover rate for the A&E industry is 12.00%, and the mean is 13.52%.

The voluntary turnover rate at BL for 2013 was 7%.

8. Engaged employee owners achieve greater job satisfaction.

BL Companies periodically participates in external employee surveys. We try not to "over survey" our employee owners, as BL also has an annual survey that helps set our priorities for the next year. The employee survey conducted internally has shown an increasing level of employee engagement year over year. External surveys completed by our employee owners have resulted in our winning a number of recognitions.

Hartford Business Journal 2013 Business Champion Award for Workplace
Best Places to Work in PA in 2008 and 2013
Hearst Top Places to Work in CT in 2012
Best Places to Work in CT in 2008

9. ESOPs tie all employee owners together in building wealth and making appropriate investments (for many employee owners, this is a major opportunity to build wealth that they don't have anywhere else).

All employee owners have the same overall goal - to increase the value of the Company over the long term. That means that investments (e.g., technology, training, acquisitions, etc.) are in support of the long term value and sustainability. As an ESOP we do not manage to monthly or quarterly results - we manage to impacts on our employee owners and to longer term impacts. When we invest in BL's future (e.g., equipment, training), it is an investment for all of us to strengthen our success in the longer term.

We do not have to drive to "quarterly earnings" like public companies. We drive to longer term employee engagement that drives business performance.

10. ESOPs help create a longer term sustainable company.

The ESOP construct provides a market for shares of retiring (or departing) employee owners' stock to be bought back. The broader ownership helps mitigate the financial burden of a major shareholder leaving and placing a large financial burden on the company.

There is an inherent incentive for all employee owners to ensure BL Companies is positioned for the long term - the ESOP value is paid by contributions from BL Companies in future years. BL Companies has implemented a multi-tier, multi-year leadership development program (consisting of a Foundations Program, Essentials Program, Advanced Program and Executive Program). It is important to develop future leaders and also position for succession planning at multiple levels.

Support for the Bill to Promote Business Retention and Growth

We at BL Companies believe that the ESOP has a number of significant benefits for our Company and employee owners that are in alignment with the economic development goals of the State of Connecticut.

Some of those include:

- Keeping businesses in the state and in business - ESOP Companies are 4 times less likely to lay off and have a better track record of staying in business
- Growing business in the state and providing jobs - Financial success allows for greater expansion and risk taking
- Educating the work force through investments in employee training - Increasing the skill and leadership development that will carry over to other volunteer and civic activities and growing future leaders to continue the business
- Multiplying the financial impact - A financially secure work force is more likely to spend money for other purchases, BL is purchasing goods and materials to support its growth
- Supporting and growing other businesses through use of second tier companies to support our work (e.g., sub-consultants, small businesses, etc.)
- Providing opportunities and training for college interns - Increasing the skill and ability to secure employment after graduation
- Creating a retirement vehicle for employee owners and their families - What greater satisfaction than to positively impact the financial security for all employee owners

We often find ourselves in situations where other small business leaders are interested in trying to understand the ESOP as a construct and are confused about how it works, what the benefits are and how to explore further. Education on ESOPs and broader based employee owner constructs is important in providing choices that can strengthen the small business community and ultimately impact business retention and growth in Connecticut.

BL Companies appreciates Senator Williams and Senator Looney co-sponsoring this bill.